

APPENDIX C

FACILITIES AND ARRANGEMENTS OF THE UNITED STATES GOVERNMENT
FOR THE PRODUCTION OF FOREIGN ECONOMIC INTELLIGENCE
RELATED TO THE NATIONAL SECURITY

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I. Agencies Concerned With Economic Intelligence on Continuing Basis

As demonstrated by the report of the Hoover Commission, nearly every agency of the Government is affected to some degree by the foreign affairs of the United States. Depending on their responsibilities and the nature of a given problem, each agency has a need for some information concerning the economic situation abroad. As a result of a survey conducted by the Central Intelligence Agency in compliance with NSC Action 282, it has been determined that twenty-four departments and agencies of the Government have sufficient need for such information to collect and analyze substantial amounts of information concerning foreign economic matters having a bearing on the national security. These agencies are listed below. In some cases subordinate components of departments are listed separately because of the direct bearing of their work on national security problems.

Coverage by these departments and agencies is not uniform with respect to either the area or the subjects covered. Some agencies are interested in a narrow field throughout the world, others cover a wide range of subjects in limited areas. Because of this diversity of interest and coverage, there are important gaps in the coverage and a certain amount of duplication exists. Varying standards for security clearance also hamper the coordination of the activities of these agencies.

List of Agencies Producing Economic Intelligence

| <u>Agency</u> | <u>Chief Components for Economic Intelligence</u> |
|----------------------------|---|
| Agriculture, Department of | Office of Foreign Agricultural Relations (OFAR) |
| Air Force, Department of | AFOIT, AFOIV, AFOIE |
| Army, Department of | Technical Branch, Intelligence Division; Offices of the Chiefs of: Engineers, Transportation, Ordnance, Chemical, Signal; Offices of the: Quartermaster, Surgeon General; Army Attaché System |

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| <u>Agency</u> | <u>Chief Components for Economic Intelligence</u> |
|-------------------------------------|---|
| Central Intelligence Agency | O/RR; O/NE |
| Civil Aeronautics Board | Foreign Air Transport Division and Analyses Division of the Bureau of Economic Regulation |
| Commerce, Department of | Office of International Trade (OIT); Bureau of Public Roads; Director of the Census; Office of the Coordinator, International Statistics; Foreign Trade Division; CAA; USC&GS; Office of Business Economics; Maritime Administration; National Bureau of Standards; Patent Office; Weather Bureau |
| Defense, Department of | JCS; USSEG; OSD; Munitions Board |
| Economic Cooperation Administration | Assistant Administrators for: International Security Affairs; Program (Program Secretariat) (Program Operations Branch); Financial Policy and Trade Development Division; Commodity, Industrial, and Economic Services Divisions; Strategic Materials Division; Consulting Services Branch of the Technical Assistance Division |
| Export-Import Bank | Economics Division |
| Federal Communications Commission | -- |
| Federal Reserve System | Division of International Finance |
| Federal Security Agency | Office of International Relations; Public Health Service; Office of Education |
| Federal Trade Commission | Division of Export Trade; Bureau of Industrial Economics, Division of Economics |
| Interior, Department of | Bureau of Mines; Geological Survey; Oil and Gas Division; Fish and Wild Life Service |

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| <u>Agency</u> | <u>Chief Components for Economic Intelligence</u> |
|---|---|
| Justice, Department of | Claims Division; Alien Property Custodian |
| Labor, Department of | Office of International Labor Affairs; Division of Foreign Labor Conditions |
| Munitions Board | Economic and Materials Resources Divisions |
| National Advisory Committee for Aeronautics | Division of Research Information |
| National Academy of Sciences | National Research Council |
| Navy, Department of | ONI (Maritime Unit) |
| Reconstruction Finance Corporation | Tin, Rubber and Abaca Branches; Files of the dissolved Defense Plant Corporation, Defense Supplies Corporation, Rubber Reserve Company and U. S. Commercial Company |
| State, Department of | OIR; OLI; E |
| Tariff Commission | -- |
| Treasury, Department of | Bureau of Customs; Bureau of Internal Revenue; Coast Guard; Bureau of the Mint; Office of International Finance |

II. Techniques and Facilities Involved in Economic Intelligence Production

This section suggests various categories of skills and techniques whose most effective use in exploiting economic data to secure answers to the questions posed in Appendix B requires government-wide planning. All of these skills and techniques are represented in varying degrees in one or more of the agencies listed above. Some of them have not yet been adequately exploited and none of them have been adequately coordinated among all of the agencies listed.

A. Information Collection

1. Procurement and dissemination to analysts of data and documents publicly available, such as foreign government reports, newspapers, private studies, etc.

2. Overt exploitation of knowledge in the heads of experts and persons with special experience of foreign economies, both in

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this country and abroad. The technique employed will normally be that of the interview or the solicited personal report. This includes:

- a. Interviewing of defectors, displaced persons, and former prisoners of war
- b. Interviewing of United States industrial technicians on probable foreign developments and techniques
- c. Interviewing of foreigners, e.g., industrialists and technicians in West Germany formerly engaged in commercial or technical relations with Soviet orbit enterprises

3. Collection of physical objects for analysis to determine production methods, levels of output, etc.

- a. Captured military equipment
- b. Exports of consumer or capital goods from Soviet orbit countries
4. Collection of maps publicly available
5. Procurement and assembly of photographic materials
6. Collection of information, data, documents, maps, photos, equipment, etc., by covert means

B. Information Translation, Collation, Classification, and Indexing

1. Translation of foreign language materials for use of analysts.
2. Classification, indexing, abstracting and extracting of documents, maps, photographs and other materials in such a way as to make available to analysts as quickly as possible the existing material on any desired subject. This includes foreign documents, translated and untranslated, non-governmental United States documents, and United States Government documents of all kinds relating to foreign economic matters.

3. Preparation and maintenance of special sources of non-quantitative information such as biographic registers, industrial registers, and graphics registers.

4. Organization and filing of all kinds of quantitative data in such a way as to supply quickly the best available answer to quantitative questions.

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5. Application of mechanical techniques of coding, sorting, filing and reproduction to the problems in 2, 3, and 4 above.

C. Techniques of Economic Analysis

1. Analysis of physical facilities. Detailed study by people with engineering and economic competence of the location, characteristics, capacities, and vulnerabilities of particular plants, mines, transport systems, communication nets, power grids, storage warehouses, etc.

2. Analysis of individual commodities, industries and services. Study by analysts expert in the technology and economics of particular commodities and industries of inputs required and available, outputs required and available, levels of inventory, variations of requirements and of supplies under alternative assumptions, trends in production, capacity, stocks, productivity and productive techniques, and foreign trade in the commodity in question. Study of the availability of resources, both human and physical, by experts on population, labor and manpower, economic geography, and the like.

3. Analysis of the economic structure and patterns of resource use. Study of levels of economic activity and of the relations between industries and sectors of the economy by persons trained primarily in general economic theory. This includes:

a. Analysis of national income and product, its composition by industrial sector, by military and civilian output, by consumption and investment, by private and public output, etc.

b. Preparation and analysis of index numbers of industrial production, price levels, standards of living, etc.

c. Analysis of domestic and foreign financial transactions, banking, money supply, etc.

d. Patterns of international trade and services, balances of trade and payments, etc.

e. Analysis by Leontieff or linear programming techniques of input-output relations in whole economies or sectors of economies.

4. Analysis of the institutional framework of economic activity. Study by people with some training in history, political science, or

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public administration and specialized knowledge of particular geographic areas, with language competence. This would include economic organizations and institutions, patterns of behavior peculiar to regions or countries, the locus of economic decision-making and the chain of communication of decision, etc.

5. Special Techniques and Methods

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c. Analysis of photographs

d. Application of advanced statistical techniques to small samples in order to obtain quantitative estimates of important variables with their probable margins of error.

III. Extent of Facilities for Processing of Economic Information

In spite of the gaps and duplication in the coverage by existing facilities, considerable progress has been made toward rationalizing the production of foreign economic intelligence related to the national security. The delineation of policy and executive responsibilities of the various agencies accomplishes this in part as the coordination of policy matters is improved. This coordination of policy matters in turn has a beneficial effect on division of labor with regard to the collection and analysis of data.

The Central Intelligence Agency has recently organized an Office of Research and Reports to conduct basic research in a number of economic fields affecting the national security with special emphasis on authoritative basic research into the economy of the Soviet orbit. One of the primary aims of this activity is to draw together the best information and talent available in the Government and elsewhere in a combined effort to solve priority intelligence problems in the economic field. While still in its early stages, action recommended elsewhere in this report should assist this activity to make substantial progress in establishing a coordinated effort to produce high-quality intelligence, fill gaps in knowledge, and eliminate undesirable duplication.

The system now employed for the production of National Intelligence Estimates is designed to coordinate the formulation of intelligence estimates for use at the national policy-making level. These estimates, on occasion, cover economic subjects of importance to national security or integrate economic factors into the consideration of broader problems.

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The National Intelligence Estimate system coordinates the analyses of the Departments of State, Army, Navy, and Air Force, and the Central Intelligence Agency. On occasion other agencies also participate in the preparation of estimates.

The Central Intelligence Agency is also coordinating the production of a series of National Intelligence Surveys designed to draw together in encyclopedic form basic data on various areas of the world. The surveys include an economic chapter and several other sections that have a bearing on the economies of the area studied. The various sections of the Surveys are produced by those agencies of the Government with the greatest capabilities. In this manner many components of the Government outside of the intelligence community participate in the production of the Surveys. The principal producers, however, are the intelligence components of the Departments of State and Defense. While the surveys themselves have no direct bearing on priority national security problems in the economic field, they serve as a useful device to organize all the basic information available and develop knowledge in the participating agencies that can be used in the production of priority studies on economic matters.

While all of the agencies listed above collect and analyze economic data, many of them receive the bulk of their information through the facilities of others. The Foreign Service of the United States, the Central Intelligence Agency, and the Attaché system of the armed forces are the primary systematic suppliers of information, although other agencies receive important data through missions and other contacts with foreign areas.

During 1950 the Bureau of the Budget conducted a survey of economic reporting by the Foreign Service of the United States and made substantial recommendations for improving its reporting services and relating them more directly to the Government's requirements for economic information affecting the national security. Implementation of the recommendations made by the Bureau of the Budget should improve the pertinence and timeliness of the economic information flowing into the Government through this medium.

With respect to the analysis of foreign economic data, the following agencies have the most important facilities for producing studies on economic problems related to the national security. In some cases, the other agencies conduct a great deal of economic analysis but its focus is not primarily on national security problems.

Agriculture, Department of

The Office of Foreign Agricultural Relations studies and reports on agriculture and related developments in foreign countries.

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Air Force, Department of

The Air Targets Division of the Directorate of Intelligence is devoted to the detailed study of individual plants and facilities and target systems in the USSR and other high-priority areas from the standpoint of target selection.

Army, Department of

The Office of the Assistant Chief of Staff, G-2, conducts studies of foreign production and requirements for tanks, ordnance, ammunition, and other military equipment.

Central Intelligence Agency

The Office of Research and Reports is engaged in basic research on various high-priority economic problems with special emphasis on the economy of the Soviet Orbit, and is attempting to coordinate the work of other important producers through the National Intelligence Survey program and by other means.

Commerce, Department of

The various components of the Department of Commerce analyze a great number of economic factors mainly from the standpoint of United States commercial interests. Important parts of this work can be related directly to national security problems.

Economic Cooperation Administration

ECA conducts broad studies of the economic and financial structure and foreign trade of those countries to which the United States is extending aid. The purpose of these studies is to guide the nature of our aid and examine its effectiveness.

Navy, Department of

The Office of Naval Intelligence conducts studies of foreign merchant shipping and of the production abroad of all types of vessels and other naval equipment.

State, Department of

The Office of Intelligence Research and the Office of the Assistant Secretary for Economic Affairs conduct broad studies of foreign economic situations throughout the world as they relate to the policies of the United States.

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Treasury, Department of

In addition to economic information collected and analyzed in connection with its regulating functions directly related to the national security, the Treasury Department also conducts broad studies in the field of international trade and finance.

In addition to the activities mentioned above, the Office of Naval Intelligence, Office of the Assistant Chief of Staff, G-2, of the Army, and the Directorate of Intelligence of the Air Force conduct some studies of other economic factors directly affecting the national security. Other components of the Army, Navy, and Air Force conduct studies in technical fields that have a direct bearing on the economics of foreign areas.

In the course of its survey, the Central Intelligence Agency has collected detailed information on the personnel strength, activities, and arrangements of the various departments and agencies relating to the production of economic intelligence. This information is available in the files of the Office of Research and Reports of the Central Intelligence Agency and it is anticipated that it will be compiled and published in the near future in the form of a hand-book for the use of Government personnel interested in the analysis of economic data concerning foreign areas.

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